

Message Text

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TO SECSTATE WASHDC 448

INFO AMCONSUL ZURICH

C O N F I D E N T I A L SECTION 1 OF 2 BERN 1265

E.O. 11652: GDS

TAGS: OGEN

SUBJECT: ANNUAL POLICY ASSESSMENT

REF: STATE 032826

1. THE FOLLOWING CONSTITUTES MISSION'S ANNUAL ASSESSMENT FOR 1974 AND SEEKS IDENTIFY ISSUES WE HAVE BEFORE US IN SHORT TERM (ONE TO TWO YEARS) FUTURE. IT IS ORGANIZED IN FORMAT WHICH RELATES TO NOW DEFUNCT PARA BUT IS SELF-CONTAINED DOCUMENT.

2. PROMOTION OF US INTERESTS IN SWITZERLAND - SUMMARY

US INTEREST IN SWITZERLAND DERIVES 1) POLITICALLY FROM ITS RESPECTED NEUTRALITY, WHICH HAS RESULTED IN ITS HOSTING MOST OF THE MAJOR INTERNATIONAL CONFERENCES IN AN ATMOSPHERE OF WESTERN VALUES AND PHYSICAL SECURITY; 2) STRATEGICALLY FROM ITS LOCATION IN THE HEART OF EUROPE STRADDLING SOME OF THE KEY NORTH-SOUTH ROUTES THROUGH THE ALPS AND ITS RELATIVELY LARGE, MODERN, AND WELL TRAINED CONVENTIONAL MILITARY FORCES; AND 3) ECONMICALLY FROM ITS STATUS AS ONE OF THE CENTERS OF INTERNATIONAL BANKING AND FROM THE FLOURISHING TRADE IT MAINTAINS WITH THE US. IN AN IDEOLOGICAL SENSE, WE HAVE A STAKE IN SWITZERLAND WHICH, OWING TO ITS THOROUGHLY

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WESTERN OUTLOOK, DEMOCRATIC TRADITIONS AND ETHNIC DIVERSITY,

HAS MUCH IN COMMON WITH THE US.

3. POLITICAL AFFAIRS

(1) U.S. INTERESTS IN SWITZERLAND

SWITZERLAND'S NEUTRALITY POLICY, DERIVING HISTORICALLY FROM ITS DESIRE TO MAINTAIN ITS INDEPENDENCE WHILE SURROUNDED BY POWERFUL NEIGHBORS, IS THE CORNERSTONE OF SWISS FOREIGN POLICY. THIS SWISS INTERNATIONAL POSITION, WHILE OCCASIONALLY TROUBLESOME, SERVES OVERALL U.S. INTERESTS VERY WELL. IT IS MOST OPPORTUNE FOR US THAT SWITZERLAND, AND NOT ANOTHER COUNTRY, PLAYS HOST TO INNUMERABLE INTERNATIONAL CONFERENCES AND AGENCIES, CHAIRS SOME OF THE MORE IMPORTANT ONES, AND AS THE NEUTRAL COUNTRY PAR EXCELLENCE IS CALLED UPON TO UNDERTAKE DELICATE INTERNATIONAL HUMANITARIAN ACTIVITIES. NO OTHER COUNTRY WOULD BRING TO THESE TASKS THE DEEP SWISS GROUNDING IN WESTERN VALUES NOR PERFORM THEM SO EFFECTIVELY AND DECENTLY. WE BELIEVE, THEREFORE, THAT THE PRESERVATION NOT ONLY OF THE EXISTING THROUST OF SWISS FOREIGN POLICY, BUT ALSO THE THOROUGHLY DEMOCRATIC DOMESTIC SOCIETY THAT SUPPORTS IT IS IN THE U.S. INTEREST

DESPITE ITS NEUTRALITY POLICY, ECONOMIC EXIGENCIES ARE SLOWLY PUSHING SWITZERLAND TOWARD INCREASING ASSOCIATION WITH ORGANIZATIONS, LIKE THE IEA AND THE IMF, HAVING A PROFOUND ECONOMIC AND POLITICAL IMPORTANCE. IN THESE FORMUSM WE EXPECT THAT SWITZERLAND WILL TAKE A CAUTIOUS, BUT REALISTIC POSITION THAT WILL OFTEN BE MORE SYMPATEHTIC TO U.S. OBJECTIVES THAN THOSE OF MANY OTHER EUROPEAN STATES. IN LIGHT OF THIS INTERNATIONAL ROLE, IT IS ALSO IN OUR INTEREST TO STRENGTHEN EXISTING TENDENCIES TOWARD TRANS-ATLANTIC TIES IN SWITZERLAND. TRADE AND ECONOMIC TIES WILL PROBABLY CONTINUE TO ENCOURAGE CLOSER CONNECTIONS BETWEEN SWITZERLAND AND THE EC, BUT THE SWISS WILL JEALOUSLY GUARD THEIR AUTONOMY IN DETERMINING THEIR OWN FOREIGN POLICIES AND WILL CONTINUE TO WELCOME CLOSE CONTACTS WITH THE U.S.

(2) KEY POLICY ISSUES

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WE HAVE HAD AND ANTICIPATE NO MAJOR BILATERAL POLITICAL ISSUES WITH SWITZERLAND. THE PARLIAMENTARY ELECTIONS SCHEDULED FOR OCTOBER 1975 SHOULD NOT UPSET THE TRADITIONAL DOMESTIC POLITICAL CALM. WE ALSO DO NOT EXPECT ANY MAJOR PROBLEMS IN THE INTERNATIONAL SPHERE. THE SWISS MAY BE DIFFICULT FROM TIME TO TIME AS THEY ATTEMPT CAREFULLY TO TREAD A CREDIBLE NEUTRAL COURSE. SUCH DIFFICULTIES COULD

ARISE PARTICULARLY WITH RESPECT TO MIDDLE EAST POLICIES AND THE ACTIVITIES OF THE PLO IN GENEVA, THE SWISS FEELING PARTICULARLY VULNERABLE TO OIL PRESSURES. IN SUCH SITUATIONS, HOWEVER, THE US HAS RELATIVELY LITTLE LEVERAGE VIS-A-VIS THE SWISS.

(3) SHORT TERM OBJECTIVES

FOR THE FORESEEABLE FUTURE OUR AIM SHOULD BE TO MAINTAIN THE FAVORABLE POSITION WE HAVE ENJOYED IN SWITZERLAND. IT IS NEITHER NECESSARY NOR DESIRABLE TO CARRY ON A HIGH PRESSURE CAMPAIGN TO ACCOMPLISH THIS PURPOSE. THE SWISS ARE JEALOUSLY PROUD OF THEIR TRADITIONAL SOVEREIGNTY AND REACT SHARPLY TO ANY INTERVENTION IN THEIR INTERNAL AFFAIRS. A CONTINUATION OF THE LOW-KEY APPROACH EMPLOYED BY THE US IN THE PAST SERVES OUR PURPOSES. IN THE INFORMATIONAL AND CULTURAL FIELDS, THERE WILL ALWAYS BE ROOM TO FILL IN THE MANY GAPS LEFT BY THE STEADY FLOW OF NON-GOVERNMENTAL INFORMATION AND CULTURAL EVENTS FROM THE US. DESPITE OCCASIONAL MISSTEPS, WE GET A RELATIVELY GOOD PRESS IN THIS COUNTRY, BUT WE CANNOT TAKE FOR GRANTED THIS WILL ALWAYS BE SO.

SPECIFICALLY, WE SHOULD:

A) CONTINUE TO MAINTAIN OUR EXCELLENT CONTACT WITH THE DIPLOMATIC, POLITICAL, FINANCIAL, ACADEMIC, MEDIA AND CULTURAL LEADERS OF SWITZERLAND TO ENSURE A SYMPATHETIC HEARING FOR THE AMERICAN VIEWPOINT.

B) MAINTAIN AND POSSIBLY EXPAND OUR MODEST EXCHANGE PROGRAM OF YOUNG LEADERS.

C) CONTINUE THE PROGRAM OF ANNUAL NATO TOURS FOR SWISS JOURNALISTS AND OTHER OPINION LEADERS.

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4. U.S. - ECONOMIC/COMMERCIAL AFFAIRS

(1) U.S. INTERESTS

SWITZERLAND IS AN IMPORTANT MARKET FOR US EXPORTS (ALMOST \$ ONE BILLION IN 1974); THE SITE OF CONSIDERABLE LONG-TERM US INVESTMENT; THE SOURCE OF SUBSTANTIAL DIRECT INVESTMENT IN THE US; AND THE SINGLE MOST IMPORTANT CHANNEL FOR FOREIGN INVESTMENT IN US SECURITIES.

RECOGNIZING ITS STAKE IN AND DEPENDENCE ON FREELY FLOWING INTERNATIONAL TRADE AND INVESTMENT, SWITZERLAND IS ACTIVE IN MOST INTERNATIONAL ECONOMIC ORGANIZATIONS WHERE ITS BASIC ORIENTATION IS USUALLY BROADLY SIMILAR TO THAT OF THE US.

(2) KEY POLICY ISSUES - 1976 AND 1977

BILATERALLY, TRADE AND INVESTMENT RELATIONS SHOULD BE GENERALLY FREE OF FRICTION. THE SHARP APPRECIATION OF THE SWISS FRANC AGAINST THE DOLLAR AND OTHER CURRENCIES IS STIMULATING PRESSURES FROM INDUSTRY FOR UNILATERAL OR OTHER STEPS TO IMPROVE SWISS TERMS OF TRADE, BUT THE COSTS OF AN ABRUPT POLICY SHIFT ARE SO GREAT AND SO APPARENT THAT WE THINK THE PRESENT LIBERAL POLICY STANCE WILL PREVAIL SO LONG AS OTHER COUNTRIES DO NOT RESORT TO PROTECTIONIST MEASURES. THE TREASURY COUNTERVAILING INVESTIGATION OF CHEESE IMPORTS FROM SWITZERLAND WILL BE A SIGNIFICANT POTENTIAL IRRITANT PARTLY BECAUSE OF THE POLITICAL AND EMOTIONAL IMPORTANCE OF CHEESE IN SWITZERLAND.

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ACTION EUR-12

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BECAUSE OF THEIR COUNTRY'S ROLE IN INTERNATIONAL FINANCIAL AND ECONOMIC AFFAIRS, SWISS OFFICIALS ARE PREPARED TO PARTICIPATE EVEN MORE ACTIVELY IN MULTILATERAL COOPERATIVE EFFORTS. CLOSER COOPERATION WITH THE IMF IS FAVORED ALTHOUGH A MEMBERSHIP APPLICATION IS UNLIKELY UNLESS SWITZERLAND SHOULD BE PROMISED REPRESENTATION ON THE IMF EXECUTIVE BOARD COMMENSURATE WITH ITS FINANCIAL STRENGTH. BUT FURTHER COLLABORATION SHORT OF FULL MEMBERSHIP SEEMS POSSIBLE FOLLOWING ON THE MODEL OF OBSERVER STATUS IN THE

GROUP OF TEN AND THE IMF/IBRD DEVELOPMENT COMMITTEE. IN OTHER ORGANIZATIONS WE EXPECT THE SWISS TO CONTINUE TO PLAY AN ACTIVE, CONSTRUCTIVE ROLE.

(3) US SHORT-TERM OBJECTIVES AND STRATEGY

ALONG THE LINES OF THE COUNTRY COMMERCIAL PROGRAM FOR FY 1975 AND CCPS PROPOSED FOR 1976 AND 1977, THE US SHOULD CONTINUE EFFORTS, PARTICULARLY DURING THIS PERIOD OF A FAVORABLE DOLLAR/SWISS FRANC RELATIONSHIP, TO EXPAND EXPORTS AND ATTRACT SWISS TOURISM.

WE SHOULD CONTINUE TO RECOGNIZE THAT EVERY ASPECT OF THE MANNER IN WHICH THE CHEESE COUNTERVAILING CASE IS HANDLED AND DISPOSED OF WILL BE CAREFULLY WATCHED AND THAT DESPITE OUR EFFORTS LINKAGES TO OTHER UNRELATED ISSUES WILL

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CONTINUE TO BE DRAWN.

WE SHOULD CONTINUE TO CONSULT AND WORK CLOSELY WITH THE SWISS IN THE OECD, THE IEA, GATT (INCLUDING ESPECIALLY THE MTNS), THE MULTILATERAL AID AGENCIES, AND THE UN SPECIALIZED AGENCIES.

WHILE SWITZERLAND OF NECESSITY CONCLUDED A PHASED FREE TRADE AGREEMENT WITH THE EC AND CONSIDERATION IS BEING GIVEN TO CLOSER ASSOCIATION WITH THE DM AND OTHER EC CURRENCIES, THE SWISS ARE VERY SENSITIVE TO BEING IDENTIFIED EXCLUSIVELY WITH THEIR EUROPEAN TRADING PARTNERS AND WELCOME BEING CONSULTED ON IMPORTANT INTERNATIONAL FINANCIAL AND TRADE MATTERS BECAUSE SWITZERLAND HAS A SIGNIFICANT ROLE BY ITSELF AND NOT JUST AS PART OF "EUROPE".

WE BELIEVE THAT THE USG SHOULD CONTINUE TO BE RECEPTIVE TO AND PREPARED TO SUPPORT AD HOC ARRANGEMENTS TO ASSURE THAT SWITZERLAND IS REPRESENTED IN OR AFFILIATED WITH INTERNATIONAL ECONOMIC ARRANGEMENTS WHEN FULL MEMBERSHIP IS NOT REGARDED AS COMPATIBLE WITH SWISS NEUTRALITY OR FOR OTHER REASONS. IN THIS CONNECTION, PERHAPS AN ARRANGEMENT FOR OBSERVER STATUS ON THE IMF INTERIM COMMITTEE WOULD BE FEASIBLE.

5. U.S. MILITARY AFFAIRS

(1) U.S. INTERESTS

DESPITE ITS NEUTRALITY, A MILITARILY STRONG SWITZERLAND CONTRIBUTES TO BASIC NATO OBJECTIVES. THE IMPORTANCE OF CAPABLE MILITARY FORCES IN THE CENTRAL NATO LAND AND AIR GAPS SHOULD NOT BE UNDERESTIMATED. US LEADERS SHOULD

CONTINUALLY KEEP IN MIND THAT SWISS POLICY REQUIRES ARMED RESISTANCE TO ANY AGGRESSIVE VIOLATION OF ITS LAND OR AIR SPACE. SHOULD WARSAW PACT COUNTRIES VIOLATE SWISS NEUTRALITY, SWISS ARMED FORCES COULD CONCEIVABLY FIGHT ALONGSIDE NATO FORCES.

(2) KEY POLICY ISSUES

THERE ARE NO PROBLEMS BETWEEN OUR TWO COUNTRIES IN THE
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MILITARY SPHERE. RELATIONS ARE GOOD AND MUTUAL CONTACTS ARE OF SUFFICIENT FREQUENCY.

(3) SHORT TERM OBJECTIVES

THE US SHOULD ASSIST THE SWISS MILITARY IN ITS EFFORTS TO MODERNIZE ITS FORCES AND TO MAINTAIN A CREDIBLE FORCE FOR DISSUASION. IN PARTICULAR, WE SHOULD QUIETLY PROMOTE THE SALE OF THE F-5E PLANE (ABOUT \$300,000,000), DRAGON ANTI-TANK MISSILE, AND STINGER ANTI-AIRCRAFT MISSILE; MAINTAIN CURRENT INFORMATIONAL EXCHANGE AND OFFICER TRAINING PROGRAMS; CONTINUE THE MODEST PUBLIC RELATIONS PROGRAMS OF VISITS, MILITARY BAND PERFORMANCES, FILM LOANS, AND COOPERATION WITH JOURNALISTS. THE OVERFLIGHT AND RAIL TRANSPORT (FOR US MILITARY EQUIPMENT) RIGHTS GRANTED BY THE SWISS SHOULD BE SCRUPULOUSLY OBSERVED AND PLAYED DOWN AS MUCH AS POSSIBLE TO PRECLUDE POSSIBLE EMBARRASSMENT TO SWISS NEUTRALITY.

6. CONSUL AFFAIRS

(1) U.S. INTERESTS

THE US HAS A STATUTORY OBLIGATION TO PROTECT THE RIGHTS OF THE ESTIMATED 20,000 AMERICANS RESIDENT IN SWITZERLAND, AS WELL AS THOSE OF THE APPROXIMATELY 950,000 AMERICAN VISITORS TO THIS COUNTRY. THE NUMBER OF U.S. TOURISTS AND RESIDENTS DECLINED IN 1974, OWING PRIMARILY TO THE ADVERSE DOLLAR-SWISS FRANC EXCHANGE RATE.

THE U.S. HAS AN INTEREST ALSO IN THE EARLY RATIFICATION OF THE JUDICIAL ASSISTANCE TREATY, WHICH TOGETHER WITH SWISS IMPLEMENTING LEGISLATION SHOULD GREATLY ASSIST U.S. LAW ENFORCEMENT AGENCIES IN OBTAINING ACCESS TO COURT EVIDENCE, WHICH HERETOFORE HAS BEEN BARRED BY SWISS SECRECY LAWS.

(2) KEY POLICY ISSUES

WE FORESEE NO SERIOUS BILATERAL PROBLEMS. SHOULD SWISS ECONOMIC SITUATION DETERIORATE FURTHER, FURTHER TIGHTENING

OF THE ALREADY HIGHLY RESTRICTIVE ISSUANCE OF RESIDENCE
PERMITS COULD CREATE HARDSHIPS FOR AMERICANS AND OTHER
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FOREIGNERS.

(3) SHORT TERM OBJECTIVES

IN INITIALLY IMPLEMENTING THE JUDICIAL ASSISTANCE TREATY,
WE WILL NEED TO ENSURE THAT IT MEETS US JUDICIAL
REQUIREMENTS WITHOUT AROUSING SWISS SENSITIVITIES. THIS
WILL REQUIRE SOME DELICACY IN LIGHT OF SOME SWISS UNEASINESS
ABOUT NEGOTIATING THE TREATY IN THE FIRST PLACE. THE
TREATY WAS PASSED BY THE SWISS LOWER HOUSE IN DECEMBER
1974 AND HOPEFULLY WILL PASS THE UPER HOUSE AS SCHEDULED
IN JUNE 1975.

INVESTIGATIVE ACTIVITIES BY USG AGENCIES IN SWITZERLAND
SHOULD CONTINUE TO BE CAREFULLY MONITORED. IN THE ABSENCE
OF PRIOR GOS APPROVAL, SUCH ACTIVITES CAN CONFLICT WITH
EXPLICIT SWISS LEGAL PROHIBITIONS AS WELL AS BANKING AND
COMMERCIAL LAWS.

7. RESOURCES

MISSION BELIEVES WE CAN ON WHOLE CONDUCT PROGRAMS TO
ACHIEVE OUTLINED OBJECTIVES WITH PLANNED RESOURCES BUT
RE-ITERATES NEED FOR ADDITIONAL COMMERCIAL LOCAL EMPLOYEE
IN ZURICH CONGEN.
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